



State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

OLENE S. WALKER
Governor

GAYLE F. McKEACHINIE
Lieutenant Governor

January 14, 2004

CERTIFIED RETURN RECEIPT
7099 3400 0016 8896 3076

Mr. Larry Allred
Allred Paving
3996 West 1500 North
Vernal, Utah 84078

Subject: Response to Division Directive, Permitting and Bonding
Requirements, Wembco, Inc., Larry Allred Site, S/047/068, Uintah
County, Utah

Dear Mr. Allred:

Thank you for your letter of August 30, 2003, requesting that the Division reevaluate whether the site referenced above should be classified as a large mine and bonded. We apologize for the delay in responding.

We have considered the arguments you presented and have discussed them with our legal counsel. The Mine Land Reclamation Act and Administrative Rules define "mining operations" as activities that include onsite milling and other primary processing as part of a mining operation. You argue that mining and processing should be considered separate operations because they are being performed by two different entities, Allred Paving and Wembco. Your letter indicates that you extract tar sands for Wembco and purchase the material for your own use. The tar sands are then hauled to your processing facilities located immediately adjacent to the mine to be processed and sold to other customers.

The original Notice of Intention to Commence Small Mining Operations (NOI) was submitted September 20, 1998, and the operator is listed as Wembco. The notice was signed "Larry Allred for Wembco Inc.," and you identified yourself as the "mine operator." In addition, the annual report for 2003 asks for the name of the "operator or company," and this entity is shown as being "Larry Allred." Since Larry Allred and Wembco were both identified as the mine operator, any milling and primary processing operations you are conducting adjacent to the mine are

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JB DOGM S/047/068 1/14/04

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(Endorsement Required)

Restricted Delivery Fee
(Endorsement Required)

Total Postage & Fees

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Recipient's Name (Please Print Clearly) (to be completed by mailer)

LARRY ALLRED - ALLRED PAVING

Street, Apt. No., or PO Box No.

3996 W 1500 N

City, State, ZIP+4

VERNAL UT 84078

PS Form 3800, February 2000

See Reverse for Instructions

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being performed by the designated mine operator. Accordingly, they need to be included within the permitted area.

We are reinstating the requirements of the August 13, 2003, Division Directive with some timeframe modifications due to seasonal and weather constraints. These requirements are:

1. Within 60 days of your receipt of this directive, you must file a complete Notice of Intention to Commence Large Mining Operations. A copy of form MR-LMO is enclosed for your use.
2. Within 60 days of receipt of this directive, post a *transitional reclamation surety* in the amount of \$19,875. This amount is \$2500 per acre for areas labeled "Processing," "Recycling area," and "WEMBCO Mine" on the map included with the report for the May 22, 2003, inspection (7.95 acres).

Note: The *transitional surety* amount may need to be adjusted accordingly (up or down) based upon a detailed, site-specific reclamation cost estimate that will be prepared as part of the large mine plan permit approval process.

3. By October 1, 2004, complete reclamation, including grading and seeding, for the 0.76-acre area labeled on the map as "Reclaimable Area." It is our understanding you no longer need to use this area for your mining operations and that you are willing to reclaim it.

Note: If you decide not to reclaim this area and choose to keep it as part of your mining operations, the *transitional surety* amount (see item #2 above) will need to be increased by an additional \$1900 (0.76 acres X \$2500/acre).

If you fail to take the actions discussed in this directive within the specified time frames, we will issue a notice of non-compliance that could require an immediate suspension of mining operations at the mine site. If additional time is needed, please inform us in writing as soon as possible, stating the reasons for requiring more time to comply with these requirements.

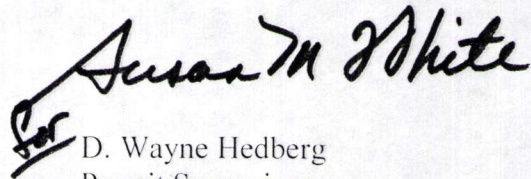
You may review this decision by scheduling an informal meeting (within 10 days from receipt of this letter) with the Associate Director of Mining, by contacting Vickie Southwick at (801) 538-5304.

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You also have the right to appeal the Division's decision on this matter by requesting an *informal* administrative hearing before the Division Director, Lowell Braxton, or by requesting a *formal* hearing before the Board of Oil, Gas and Mining. **A written appeal to this decision must be filed with this office within 10 days of your receipt of this certified letter.** If a hearing is not requested, then the Division's decision will become final. The written appeal must state: 1) your intent to appeal; 2) the specific findings or requirements you wish to appeal. An Informal Hearing is conducted under the provisions of the Administrative Rules R647-5-102 – 106 and Sections 63-46b-4 and 63-46b-5 of the Utah Code Annotated (1953, as amended).

If you have any questions regarding the requirements of this Division Directive, please contact me at (801) 538-5286, or Paul Baker at 538-5261. Thank you for your cooperation in helping us resolve this permitting action.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Wayne Hedberg". The signature is written in a cursive, flowing style.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

PBB:jb
cc: Mary Ann Wright, OGM
Steve Alder, AAG
Paul Baker, OGM
Vickie Southwick, OGM
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